

Paul S. Aronzon (CA State Bar No. 88781)
Thomas R. Kreller (CA State Bar No. 161922)
MILBANK, TWEED, HADLEY & McCLOY LLP
601 South Figueroa Street, 30th Floor
Los Angeles, California 90017
Telephone: (213) 892-4000
Facsimile: (213) 629-5063

Proposed Reorganization Counsel for the
Debtor and Debtor in Possession

Bruce T. Beesley (NV SBN 1164)
Laury Macauley (NV SBN 11413)
LEWIS and ROCA, LLP
50 West Liberty Street, Suite 410
Reno, Nevada 89501
Telephone: (775) 823-2900
Facsimile: (775) 823-2929
bbeesley@lrlaw.com; lmacauley@lrlaw.com

Proposed Local Reorganization Counsel for the
Debtor and Debtor in Possession

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA**

In re:

GV RANCH STATION, INC.

☒ Affects this Debtor

Chapter 11

Case No. BK-10-50381;

**GV RANCH STATION, INC.'S
PRELIMINARY RESPONSE AND
RESERVATION OF RIGHTS RE: GCR
GAMING, LLC'S MOTION: (1) TO
DISMISS CHAPTER 11 CASE, (2) FOR
RELIEF FROM STAY, OR (3) TO
COMPEL REJECTION OF OPERATING
AGREEMENT**

Hearing Date: April 19, 2010
Hearing Time: 10:00 a.m.
Place: 300 Booth Street
Reno, NV 89509

**TO THE HONORABLE GREGG W. ZIVE, UNITED STATES BANKRUPTCY JUDGE,
THE UNITED STATES TRUSTEE AND ALL PARTIES IN INTEREST:**

GV Ranch Station, Inc. ("GV Ranch" or the "Debtor"), debtor and debtor in possession in the above-captioned chapter 11 case, hereby submits this Preliminary Response and Reservation Of Rights (the "Preliminary Response") in response to the motion (the "Motion") filed recently by GCR Gaming, LLC (the "Movant" or "GCR") to dismiss this chapter 11 case, for relief from stay to exercise applicable non-bankruptcy rights or to compel rejection of the Operating Agreement (as defined in the Motion) among Green Valley Ranch Gaming,

1 LLC ("Green Valley Ranch"), the Movant (as a member of Green Valley Ranch) and the Debtor
2 (as both a member and as the Manager of Green Valley Ranch).

3 The hearing on the Motion has been set for April 19, 2010. Under the Local
4 Bankruptcy Rules, oppositions to the Motion are due fourteen (14) days before that hearing.
5 Bankruptcy Code section 362(e)(1) provides, however, that the automatic stay will terminate if
6 there has been no notice, hearing and order with respect to a request for relief from stay within
7 thirty (30) days of the making of such request. In light of section 362(e)(1), it is not clear at this
8 time whether an earlier hearing date, and therefore an earlier opposition deadline, will become
9 necessary. Out of an abundance of caution and to make sure the Debtor is not prejudiced in the
10 event an earlier hearing is required, the Debtor hereby: (a) submits this Preliminary Response to
11 the Motion, and (b) expressly reserves all rights to file a comprehensive response to the Motion,
12 including full legal briefing and supporting evidentiary submissions, in connection with whatever
13 hearings may occur on the Motion.

14 The Motion is a scattershot collection of allegations and legal theories that the
15 Debtor will address comprehensively in its subsequent filings. For purposes of this Preliminary
16 Response, the Debtor will focus on the Movant's principal themes: (a) the Movant's allegations
17 that the Movant has recourse against the Debtor because the Debtor allegedly diverted business
18 away from Green Valley Ranch and to other Station properties; and (b) the Movant's assertions
19 that the Debtor's bankruptcy filing was in bad faith because it was done solely for the purpose of
20 preventing the Movant from exercising rights under the Operating Agreement. As discussed
21 below and as will be established unequivocally in the Debtor's subsequent filings and at the
22 evidentiary hearing on the Motion, both of these arguments fail because they are not only
23 unsubstantiated but also entirely false.

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1 **A. The Movant's Allegations of Diversion of Business by the Debtor Are Entirely**
2 **Without Merit.**

3 The Debtor is a wholly-owned subsidiary of Station Casinos, Inc., a debtor in
4 possession in its own chapter 11 case ("SCI"). As this Court is aware from the SCI case, SCI
5 owns and/or operates a number of gaming and resort properties in the Las Vegas area.

6 The Debtor holds a 50% ownership interest in Green Valley Ranch. In addition,
7 the Operating Agreement contains provisions whereby the Debtor has contracted with Green
8 Valley Ranch to provide comprehensive management services to that property.

9 The Motion alleges that the Debtor, in its capacity as manager of Green Valley
10 Ranch, knowingly and intentionally took actions to divert high-stakes gamblers away from
11 Green Valley Ranch and to "sabotage" Green Valley Ranch's marketing and promotional efforts,
12 all for the benefit of other SCI-owned or operated properties. These allegations are patently
13 false.

14 Among other things, SCI and the Debtor will demonstrate, at the appropriate time,
15 that a review of the operating performance of Green Valley Ranch and certain of the other SCI
16 properties (including Red Rock Resort Casino & Spa ("Red Rock")) over the past several years
17 provides no evidence of SCI or the Debtor causing the intentional migration of business away
18 from Green Valley Ranch to other SCI properties. The only migration of business that occurred
19 was the ordinary and customary migration that takes place as players move among properties
20 located in the same general market, including the migration of table-games players from other
21 SCI properties *to* Green Valley Ranch.

22 SCI and the Debtor will demonstrate that it is common practice for table-games
23 players at SCI properties to play at multiple SCI properties during any single year. The evidence
24 will make clear that, over the last three calendar years, the net financial effect of any such
25 migration of table-games players between Green Valley Ranch and other SCI properties
26 (including Red Rock) was insignificant—in both directions. As a result, the other SCI
27 properties did not benefit in any material way at the expense of Green Valley Ranch with respect
28 to any such table games player migration. In fact, Green Valley Ranch and Aliante Station

1 Casino Hotel (which is jointly owned by affiliates of the Debtor and the Movant) benefited
2 significantly from the migration of customers and business from other SCI properties upon the
3 opening of each property.

4 The other allegations contained in the Motion are similarly nonsensical and, in
5 large measure, rise and fall on the word of a single person: Green Valley Ranch's disgruntled
6 former General Manager Timothy Wright. Mr. Wright engaged in several documented and
7 recorded instances of inappropriate conduct while employed as the General Manager at Green
8 Valley Ranch. A preliminary review of his emails conducted after his termination also revealed
9 deeply troubling personal and professional misconduct during his tenure at Green Valley Ranch.
10 Moreover, the financial performance of Green Valley Ranch was poor during his tenure as the
11 General Manager. The financial results of the business have also improved markedly under the
12 leadership of his replacement—a highly successful general manager who was transferred by SCI
13 from one of its “100% owned” casinos. After Wright was terminated in November of 2009, he
14 attempted to extort SCI by threatening to go public with the false allegation that SCI encouraged
15 the movement of “high-end” table-games players from Green Valley Ranch to Red Rock if SCI
16 did not, among other things, agree to pay him an additional six months' severance in the amount
17 of \$162,500. In fact, SCI disputes that Mr. Wright is entitled to any severance. The Debtor
18 declined to “payoff” Mr. Wright. The Debtor intends to present this evidence to the Court.

19 **B. The Debtor's Chapter 11 Filing Was Not In Bad Faith.**

20 The Movant alleges that the Debtor's chapter 11 filing was in bad faith because it
21 was done solely to prevent the Movant from exercising rights under the Operating Agreement.
22 The Movant is not only incorrect, but is trying to ignore the economic realities surrounding
23 Green Valley Ranch.

24 Green Valley Ranch is encumbered by liens securing debt in excess of \$750
25 million. That secured debt is likely to be in default soon. The secured lenders to Green Valley
26 Ranch are significantly undersecured, and a restructuring of Green Valley Ranch is both
27 necessary and imminent. Certain of the Green Valley Ranch first and second lien lenders have
28 organized separate groups to protect their respective interests, hired legal and financial advisors

1 and have begun discussions with the Debtor, Movant and SCI concerning a Green Valley Ranch
2 restructuring.

3 In addition to the undisputed secured debt, SCI's prepetition lenders assert a
4 guaranty claim of over \$900 million against Green Valley Ranch as a purported guarantor of
5 SCI's prepetition bank debt¹. Certain creditors of Green Valley Ranch have also raised questions
6 about the potential avoidability of a 2006 transaction in which Green Valley Ranch paid a
7 distribution of approximately \$285 million to each of Movant and Debtor. Finally, as a result of
8 the imminent defaults under the Debtor's secured debt, the Debtor faces the risk of an attempt by
9 its secured lenders to foreclose on the Debtor's equity interests in Green Valley Ranch. All of
10 these issues further demonstrate the need for a restructuring of Green Valley Ranch—and the
11 Debtor and its rights and obligations will be at the center of that process.

12 In light of the undeniable need for an overall Green Valley Ranch restructuring,
13 including the need to address the potential litigation described above and the litigation threatened
14 by the Movants, the Debtor had entirely valid reasons for filing its chapter 11 case. In addition,
15 the Debtor's filing reflects the fact that the Operating Agreement represents a key asset of the
16 Debtor that annually generated millions of dollars of management fees for the Debtor.
17 Preserving and protecting that asset and the rights it bestows on the Debtor are more than
18 sufficient reasons to justify the chapter 11 filing. In addition, Green Valley Ranch or its creditors
19 may view the Operating Agreement and the management arrangements with the Debtor to be
20 desirable, such that keeping the Operating Agreement in place as part of an overall Green Valley
21 Ranch restructuring may prove to be beneficial to both the Debtor and Green Valley Ranch.

22 Unfortunately for the Movant, the economic reality surrounding Green Valley
23 Ranch likely means that the Movant's equity interests in Green Valley Ranch are wiped out. The
24 Debtor also understands that such a result may have serious negative tax consequences for the
25 Movant's principals as well. Thus, the consequences facing the Movant and its principals from a
26 restructuring of Green Valley Ranch also call into question the Movant's motives in filing the
27 Motion and in making the unsubstantiated and reckless accusations contained therein.

28 ¹ SCI and Green Valley Ranch dispute that claim and reserve all rights with respect thereto.

1 As noted above, the Debtor has filed this Preliminary Response out of an
2 abundance of caution due to uncertainty about the hearing schedule for the Motion. The Debtor
3 fully intends, and hereby expressly reserves the right, to file a more detailed response, along with
4 appropriate legal briefing and evidentiary submissions, in connection with whatever hearings
5 occur on the Motion, as well as to conduct such discovery as may be appropriate in connection
6 with resolution of the Motion.

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8 Dated: February 26, 2010

Respectfully submitted,

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10 By: /s/ Paul S. Aronzon
11 Paul S. Aronzon, CA State Bar #88781
12 Thomas R. Kreller, CA State Bar #161922
13 MILBANK, TWEED, HADLEY & McCLOY LLP
601 South Figueroa Street, 30th Floor
Los Angeles, California 90017

14 Proposed Reorganization Counsel for
15 Debtors and Debtors in Possession

16 Bruce T. Beesley, #1164
17 Laury Macauley, #11413
LEWIS AND ROCA LLP
18 50 W. Liberty Street, Ste. 410
Reno, NV 89501
19 bbeesley@lrlaw.com; lmacauley@lrlaw.com

20 Proposed Local Reorganization Counsel
21 For Debtors and Debtors in Possession
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